

Prudential supervision of climate risks

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Climate- and nature-related risks have entered prudential supervision. From 2021 FINMA required the large banks and insurers to disclose their climate-related financial risks, and it subsequently adopted a circular on the management of nature-related financial risks, applicable in stages from 2026. This circular requires institutions to identify, measure, manage and monitor these risks within their ordinary processes.¹ The Swiss National Bank has integrated climate risks into its financial stability analysis and into the management of its reserves, with limited exclusions.²

For Geneva institutions, these requirements make sustainability, beyond products and marketing, a matter of risk management, with consequences for lending, in particular trade finance and real estate, for investments and for capital. A bank that finances hydrocarbon flows must assess the transition risk weighing on its counterparties. A mortgage bank must assess the physical risks weighing on the properties it finances, while a manager must measure the exposure of its portfolios. These analyses require data, models and skills that the financial centre has had to acquire quickly.

1 Notes

1. FINMA, “La FINMA concrétise les obligations de transparence en matière de risques climatiques” (FINMA specifies transparency obligations on climate risks), press release of 31 May 2021, finma.ch: revision of Circulars 2016/1 and 2016/2 in force on 1 July 2021 for banks and insurers in categories 1 and 2; FINMA, “FINMA publishes new ‘Nature-related financial risks’ circular”, press release of 17 December 2024, finma.ch: Circular 2026/1 in force on 1 January 2026, with transitional periods until 2027 and 2028. ↩

2. Decision of the SNB of 17 December 2020 to exclude from its investments companies whose main activity is coal mining; Alliance climatique suisse (Swiss Climate Alliance), “Sortie de la BNS des mines de charbon : cette première étape minimale doit être suivie d’une intégration climatique complète” (The SNB’s exit from coal mining: this minimal first step must be followed by full climate integration), klima-allianz.ch (accessed September 2026). ↩

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